

## REMARKS

Claims 2-17, 20-35, and 38-47 have been rejected under 35 U.S.C. 103(a) as being unpatentable over Wulff (Building credibility with contractors and sureties), American Agent and Broker v68n7 pp. 24-27 July 1996, (Wulff) in view of Joao (US 6,347,302) and further in view of the Examiner's Official Notice.

The examiner contends that the combination of the prior art taught by Wulff and Joao renders the applicant's method, apparatus and system for issuing surety obvious. The applicant traverses the rejection. Surety bonds are not the same as insurance policies and therefore Joao is not relevant prior art. Even if it were, Joao does not suggest applicant's invention either alone or combined with the other references. There are a number of differences between the prior art taught by Joao, the most significant difference being that surety bonds and insurance policies are completely different. The prior art taught by Joao discloses the processing of an insurance policy which is a transaction between two parties, the insurer and the insured. The insured does not obtain the insurance policy for anyone but himself. The insured is not obtaining the policy for anyone else's benefit. The present invention claims a method and apparatus for processing surety bonds which is a transaction between three parties. Surety bonds are obtained by, for example, a contractor. The contractor applies to the surety for the bond. The bond is not to pay the contractor which would be the case if it were an insurance policy. The bond is issued by the surety to contractor who provides the bond to the owner or municipality seeking the work to assure the owner or municipality that the contractor will complete the project. The surety does

not pay the contractor like an insurance policy does. The surety pays the owner who contracted for the work.

In general the method claimed by the present invention for obtaining a surety bond is as follows: an agent selects a surety from one or more sureties that have approved said agent to issue surety bonds on said surety's behalf; providing said surety over a computer network with the identity of an applicant requesting said bond and such other information said surety may require about said applicant; receiving from said surety a decision on whether the bond is approved; providing an authorization code for an approved bond to said applicant to be submitted to a **third party** requiring said bond; permitting said **third party** requiring said bond to use said authorization code to access said bond issued by said surety; issuing said surety bond through said computer network to said **third party** after receipt of the authorization code.

The system taught by the present invention for obtaining a surety bond comprises a means for an agent to select a surety from one or more sureties that have approved said agent to issue surety bonds on said surety's behalf; a means for providing said surety with the identity of an applicant requesting said bond and such other information said surety may require about said applicant over a computer network; a means for receiving from said surety a decision on whether the bond is approved; a means for providing an authorization code for an approved bond to said applicant to be submitted to a **third party** requiring said bond; a means for permitting said third party requiring said bond to use said authorization code to access said bond issued by said surety; a means for issuing said surety bond through said computer network to said **third party** after receipt of the authorization code. As in the case of the method these features are not suggested by Joao either alone or combined with Wulff.

The prior art taught by Joao fails to disclose the existence of any third party involvement in any of the transactions which the prior art is intended to process. We direct the Examiner's attention to the figures disclosed in the prior art.

The Applicant also directs the examiners attention to the definition of surety:

1 : a formal engagement (as a pledge) given for the fulfillment of an undertaking

2 : one (as an accommodation party) who promises to answer for the debt or default of another

Source: Merriam-Webster's Dictionary of Law, © 1996 Merriam-Webster, Inc.

The applicant directs the examiners attention to the definition of insurance:

1 : the action, process, or means of insuring or the state of being insured usually against loss or damage by a contingent event (as death, fire, accident, or sickness)

2 a : the business of insuring persons or property b : coverage by contract whereby for an agreed payment one party agrees to indemnify or guarantee another against loss by a specified contingency or peril c : the principles and practice of the business of insuring.

Source: Merriam-Webster's Dictionary of Law, © 1996 Merriam-Webster, Inc.

A surety is not an insurance agreement. There are significant differences between a surety and insurance and therefore Joao cannot be relied on as it does not suggest a surety arrangement as claimed by applicant. A surety is a person who agrees to be responsible to one party for the debt or obligation of another party. Thus there are three parties to the surety agreement not two as in an insurance agreement. The situation in which a surety is most

typically required is when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A surety bond is a contract between at least three parties: (i) the principal, (ii) the obligee, and (iii) the surety. Through this agreement, the surety agrees to make the obligee whole (usually by payment of money) if the principal defaults in its performance of its promise to the obligee. The contract is formed so as to induce the obligee to contract with the principal, i.e., to demonstrate the credibility of the principal.

The art of insurance is significantly different than the art of surety. In the art of insurance an entity seeking to transfer risk (an individual, corporation, or association of any type) becomes the 'insured' party once risk is assumed by an 'insurer', the insuring party by means of a contract, defined as an insurance 'policy'. This legal contract sets out terms and conditions specifying the amount of coverage (compensation) to be rendered in the case of a loss, and all the specific perils covered against (indemnified), upon assumption of risk by the insurer for the term of the contract. When insured parties experience a loss, for a specified peril, the coverage entitles the policyholder to make a 'claim' against the insurer for the amount of loss covered by the policy contract.

A surety bond is significantly different than an insurance policy for 3 reasons: (1) a surety bond is between three parties (the principal, the obligee and the surety), where an insurance policy is between two parties (the insurer and the insured), (2) a surety bond is the assumption of the debt or obligation of another where an insurance policy is a transfer of risk, and (3) a surety bond is intended to induce an obligee to contract with the principal, an insurance policy is

intended to justify the risk of a loss. The prior art taught by Joao relates to insurance which is an agreement between two parties, the present invention relates to the art of surety which is an agreement between three parties. There are significant difference between the art of insurance and the art of surety and Joao fails to disclose or suggest that the prior art could be used to create an agreement between three parties in the manner claimed by applicant. Thus, the prior art taught by Joao does not render the present invention obvious.

The examiner contends that the publication by Wulff teaches Claim 38 steps (a) - (c) of the present invention. The examiner cites excerpts from different parts of Wulff to support his argument. The applicant contends that the publication by Wulff is merely a listing of services offered by a surety company and does not support a rejection for obviousness. When the full text of quotes cited by the examiner are compared to the claims of the present invention it is clear that the Wulff disclosure does not teach or suggest steps (a)-(c) of Claim 38.

The examiner first cites:

“We provide commercial general contractors with a variety of bonds, including bid, performance and payment bonds, as well as the occasional miscellaneous bonds.”

The text of Claim 38 (a) is as follows:

“A method of obtaining a surety bond over a computer network comprising: an agent selecting a surety from one or more sureties that have approved said agent to issue surety bonds on said surety’s behalf;”

Wulff discloses the choosing of a type of bond from a number of different types of bonds.

It does not suggest obtaining a surety bond over a computer network in the manner claimed by applicant. Wulff also does not suggest that the agent selects a surety from one or more sureties that have approved the agent to issue said surety bonds. The present invention claims a unique system for obtaining a surety bond that is not suggested by the prior art. Prior to applicant's invention surety companies relied on local agents to receive bond requests and process the necessary paper work to complete the bid bond. For certain bond requests where the amount of the bond request was low the agency may have authority to issue a bond without approval from a surety company, for other requests the surety company must approve the bond request. One problem that agents had in submitting bonds for approval is that requests are typically faxed to a central location at the surety company where they sit for an extended period of time before the request is presented to the proper person for approval of the request. Once the bond request is approved, the agent must prepare the actual bond which must be signed by the agent on behalf of the surety company. In order to save time in the process many surety companies provide their agents with executed power of attorney for them to retain at their offices until needed. While this procedure saves considerable time in the procedure of issuing bonds there is also a risk that an agent could issue a bond inappropriately to an unsatisfactory party. While the procedure described above is for bid bonds, the current steps and procedures for issuing other types of bonds are similar. The risk of such fraud in the surety process is eliminated in Applicant's process.

In Applicant's invention an agent who receives a request selects a surety over a computer network. The surety must be one who has approved the agent to issues surety bonds on the surety's behalf. The portion of the prior art relied on by the examiner fails to suggest this feature

of Applicant's invention. This paragraph relied on by the Examiner does not overcome the deficiencies of Joao discussed above.

The examiner next cites the following passage from Wulff:

“Our prospect package includes a questionnaire and a list of the information we need to thoroughly under write the account. Among the items requested are the past three years corporate financial statements; current personal financial statements of the company's principal(s); the resumes of all key personnel, such as principals, estimators, superintendents, etc; and a reference letter from the prospect's bank. We also request a current work-in-progress report, which gives information on the company's present work load, and copies of all certificates of insurance. This information will also help us to determine the best surety market for the prospect. We try to pick up and of this information immediately available on the initial visit. This helps us begin putting together the submission for the surety.”

The text of Claim 38 (b) is as follows:

“providing said surety over a computer network with the identity of an applicant requesting said bond and such other information said surety may require about said applicant;”

The prior art taught by Wulff discloses the collection of information, through a questionnaire, about a potential principal in preparation of an application for a surety bond, the present invention adds an important distinction to collecting information for a surety bond application. The present invention claims the transmission of the data collected for an application

for a surety bond to the surety by means of a computer network. The prior art fails to mention the distinction made by the present invention. This paragraph relied on by the Examiner also does not overcome the deficiencies of the Joao patent.

The examiner then cites:

“Surety markets have become very service-oriented and can usually have a response to a good submission within a week or even quicker on a small case.”

The test of Claim 38 (c) is as follows:

“receiving from said surety a decision on whether the bond is approved;”

The prior art taught by Wulff merely discloses that the surety market is a very service oriented market, this fact does not touch upon the present invention, rather it makes a broad statement about the state of a market. The prior art as cited by the Examiner does not suggest what a third party’s response to a submission will be or what sort of a response the submitter should expect. The present invention is very specific. Wulff fails to teach or suggest Applicant’s step. For the above reasons the prior art taught by Wulff does not render the present invention obvious either alone or combined with Joao either alone or combined with Joao.

The examiner contends that Joao teaches a method of obtaining sureties over a communication network which, when combined with Wulff, renders the present invention obvious. The applicant argues that the prior art taught by Joao does not render the present invention obvious because the prior art fails to disclose the issuance of surety bonds over a computer network in the manner claimed by Applicant. The process used to process lease insurance information used in Joao is different than the process used to process surety

information in the present invention, and the prior art taught by Joao fails to suggest that a third party who needs the surety bond from the applicant is involved in the transaction.

The prior art taught by Joao fails to disclose the issuance of surety bonds. The examiner supports his argument that the prior art does disclose the issuance of surety bonds by citing Joao:

“Further, the apparatus and method of the present invention facilitates on-line and/or network dissemination of insurance policies, products, services and/or coverage so as to allow an individual and/or business entity to obtain insurance and/or information related thereto for leased and/or rented entities, from a remote location on, or over, a networked environment, such as on, or over, the Internet, the World Wide Web, and/or any other suitable communication network.” (Col. 17 L 25-33)

The prior art fails to disclose Applicant’s method of obtaining a surety bond. In fact it does not suggest the Joao method could be used in the issuance of surety bonds. The applicant refers the examiner to the discussion set out above that surety bonds are different than insurance policies.

The issuance of surety bonds in the present invention relates to the performance of contracts, and does not deal with leased entities, thus the prior art does not teach or suggest the present invention obvious.

The process suggested in Joao to issue insurance for leased entities is significantly different than the method of issuing surety bonds claimed by the present invention. The prior art suggests a process which comprises inputting the lease information, inputting individual entity information, calculating expected wear and tear or damage, determining if an incentive is selected, wherein a premium is calculated with the incentive if there is one, presenting the policy

to the user, and entering into a contract if the user accepts the policy. The method disclosed by the present invention is as follows: an agent selects a surety from one or more sureties that have approved said agent to issue surety bonds on said surety's behalf; providing said surety over a computer network with the identity of an applicant requesting said bond and such other information said surety may require about said applicant; receiving from said surety a decision on whether the bond is approved; providing an authorization code for an approved bond to said applicant to be submitted to a third party requiring said bond; permitting said third party requiring said bond to use said authorization code to access said bond issued by said surety; issuing said surety bond through said computer network to said third party after receipt of the authorization code. The differences between the prior art and the present invention are as follows: (1) the prior art does not check to see if the agent selecting the surety is authorized, (2) the calculation of wear and tear damage is irrelevant to the issuance of a surety bond because there are no wear and tear issues in a surety bond, (3) the determination of the existence of a premium incentive is irrelevant to the issuance of a surety bond, (4) the prior art fails to disclose the issuance of a surety bond to a third party after the receipt of an authorization code. The prior art fails to disclose or suggest a number of features which are integral to the method claimed in the present invention and further the prior art discloses a number of features which are irrelevant to the issuance of surety bonds, thus the prior art does not render the present invention obvious.

The process suggested in the prior art taught by Joao to issue insurance for leased entities is significantly different than the method of issuing surety bonds claimed by the present invention because the prior art taught by Joao fails to suggest that a third party is involved in the transaction and receives the bond. The prior art by Joao teaches a transaction between two

parties. Joao does not, as the examiner asserts, inherently teach an authorization code for an approved bond to be supplied by the applicant who in turn makes the code available to a third party who access the surety bond using the code so that, for example, the applicant for the bond can bid on a construction job. The purpose behind giving an authorization code for a surety bond to a third party and requiring the use of said authorization code to access said bond is to prevent the fraud that could exist under the prior system which permitted agency personnel to grant access to the bond to contractors who were not entitled to them. The present invention reduces the risk of unauthorized users from accessing said bond. The prior art taught by Joao does not suggest an authorization code being provided to a third party because the process taught by Joao is a transaction between two parties, there is no suggestion in Joao's disclosure that it is necessary to provide a third party with an authorization code to access an insurance policy to make sure the third party is covered. There is no reason for a third party to have access to an insurance policy because there, unlike the present invention where the surety agrees to make the obligee whole if the principal defaults in its performance of its promise to the obligee, an insurance policy is paid to the insured in the event of a loss to the insured. The purpose of the authorization code is to prevent others who may know about the surety bond from accessing said bond if they are not the intended obligee, the prior art taught by Joao does not involve a third party, thus Joao does not inherently teach an authorization code for a third party.

The examiner contends that claim 17 of the present invention is obvious in view of the combination of prior art taught by Wulff and Joao. The applicant reiterates the argument set forth above regarding the authorization code not being obvious in light of the prior art because the prior art taught by Wulff does not disclose the issuance of a surety bond over a computerized

network or that the bond is accessed by a third party to the transaction between the surety and the applicant for the bond. Claim 17 further distinguishes the present invention from the prior art by illustrating the use for the authorization code. A surety contract is a contract between three parties. The present invention is intended to be deployed on a computerized network with many users. To gain access to the bond in the present invention a bid seeking agency such as a municipality must use a password provided by the contractor to access the surety bond. The purpose of the authorization code is to ensure that only the persons who have the consent of the contractor are able to access said surety bond. The prior art does not suggest the use of an authorization code to permit bidding agencies such as municipalities to restrict access to surety bonds by means of a code provided by the contractor, thus the prior art does not render the present invention obvious.

Regarding claim 39: The applicant reiterates the argument above that a surety bond is not an insurance policy as taught by Joao, further the applicant reiterates the arguments above for the non obviousness of claim 38 in view of the prior art.

Regarding claim 40: The applicant reiterates the argument above that a surety bond is not an insurance policy as taught by Joao, further the applicant reiterates the arguments above for the non obviousness of claim 38 in view of the prior art.

Regarding claim 41: The examiner contends that Joao teaches a system for obtaining sureties over a communication network which, when combined with Wulff, renders the present invention obvious. The applicant reiterates the argument above that a surety bond is not an insurance policy as discussed above and the prior art does not suggest applicant's method of

issuing a surety bond. Further, the applicant argues that the prior art does not render the present invention obvious because the prior art taught by Wulff fails to teach the use of a computer system in the issuance of surety bonds and because the prior art taught by Joao fails to suggest a three party surety bond. Claim 41 is reproduced below in pertinent part with emphasis:

“A system for obtaining a surety bond comprising: means for an agent to select a surety from one or more sureties that have approved said agent to issue surety bonds on said surety’s behalf; a means for providing said surety with the identity of an applicant requesting said bond and such other information said surety may require about said applicant over a computer network; a means for receiving from said surety a decision on whether the bond is approved; a means for providing an authorization code for an approved bond to said applicant to be submitted to a third party requiring said bond; a means for permitting said third party requiring said bond to use said authorization code to access said bond issued by said surety; a means for issuing said surety bond through said computer network to said third party after receipt of the authorization code.”

Joao fails to suggest the involvement of a third party in the issuance of insurance. There is no suggestion of anyone party other than the insured and the insurer being involved. Joao does suggest that there may be multiple users, meaning multiple applicants trying to obtain insurance, but there is no suggestion that a user embodies any party other than an insurer or a potential insured. A surety bond is a transaction between three parties, the prior art cited by the examiner does not suggest that a third party requiring the bond can use applicant’s security code to have a bond issued through a computer to the third party.

Figure 1. of Joao shows a block diagram which represents a preferred embodiment of the apparatus of the prior art taught by Joao denoted by reference numeral 100. The block diagram shows user input device(s) 4 along with various other components of a computer. The user input device(s) 4 are defined as a keyboard, mouse, etc. The block diagram appears to be very similar to a single stand alone computer. In the description of the device represented by the block diagram in Figure 1. there is no mention of a third party having access to the information being exchanged between the insurer and the insured.

Figure 5. of Joao shows a block diagram of an alternative embodiment of the apparatus of the prior art taught by Joao denoted generally by reference numeral 200. The block diagram shows a number of remote user devices 230, however there is no suggestion in the prior art taught by Joao that anyone other than the insurer or the insured would have access to the apparatus taught by Joao. The remote user devices 230 are all for the use of either an insurer or an insured. Joao states at Col. 17 L 16-22:

“... any user may access the central processing computer 201 from any remote computer ... so as to perform any of the herein described processing routines for processing and calculating an insurance premium plan or policy.”

The prior art fails to suggest that a “user” is anyone other than an insurer or an insured. There is no mention of a third party having access to the apparatus described in the prior art, nor is there a suggestion that a third party has any part in the processing and calculating an insurance premium plan or policy. Further, the prior art taught by Joao fails to suggest that an authorization code be necessary for a third party to access the information stored on the central processing computer 201. There is no suggestion in the prior art cited by the examiner that an authorization code is

used to prevent unauthorized parties from accessing a surety bond on a computerized network.

The prior art taught by Joao only suggests that the apparatus it teaches can be used to perform routines relating to the processing and calculating of an insurance premium plan or policy. For all of the above mentioned reason the present invention is not obvious in view of the prior art.

Claims 46 and 47 are patentable in their own right. These claims are directed in general to a method of obtaining a surety bond over a computer network having the following steps:

- accessing over a connection means; the website of a bonding agency through a login and a password;

- entering a bond request;

- providing a name of a contractor, said contractor's address, the identity of an owner/ obligee for whom the bond is required, an identification of the bond form required, an estimated contract price, an amount of the bid security, a contract number or IFB number, and a description of the job.

- selecting a surety for issuing a bond from one or more surety companies that have pre-approved an agent applying for said bond;

- selecting a bond from the group consisting of bid bonds, contract bonds, court bonds, subdivision bonds, performance bonds, customs bonds, notary bonds, liquor license bonds, license bonds permit bonds, small business administration bonds, bail bonds, and supersedeas bonds;

- transmitting the information obtained electronically to said surety company,

- requesting approval of the bond from said surety company,

- upon approval of the bond by the surety company providing the contractor with a code for

accessing the bond.

Neither Wulf nor Joao disclose or suggest accessing the website of a bonding agency through a login and a password. While login's and passwords' are old, they have not been associated with bonding agencies. There is also no bond request in Wulf or Joao.

Wulf and Joao do not disclose or suggest providing the name of a contractor, the identity of the owner/obligee for whom the bond is required. There is also no teaching or suggestion of identifying the form of bond required, the estimated contract price, the amount of bid security, a contract number or the description of the job.

As discussed in detail above, there is no teaching or suggestion in the prior art of selecting a surety for issuing a bond from one or more surety companies that have pre-approved the agent applying for the bond.

Joao and Wulf do not teach or suggest selecting a bond from a group of bonds consisting of bid bonds, contract bonds, court bonds, subdivision bonds, performance bonds, customs bonds, notary bonds, liquor license bonds, license bonds, permit bonds, small business administration bonds, bail bonds, and supersedeas bonds. Neither reference even recognizes the existence of these bonds.

Neither Wulf nor Joao teach or suggest transmitting information electronically to a surety company or that upon approval of the bond by the surety company that the contractor is provided with a code for accessing the bond and the owner/obligee is provided with the code and permitted to log onto the system through the use of the code to review the bond.

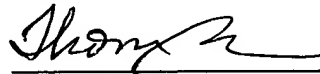
The present invention is not obvious in light of the prior art. The prior art taught by Wulff does not disclose the use of a computer network in the issuance of surety bonds, and the

prior art taught by Joao is not an art analogous to the present invention, and fails to disclose a number of the features of the present invention. For all the aforementioned reasons, the present invention is not obvious in view of the prior art.

### CONCLUSION

For the foregoing reasons, applicant's claims are patentable over the cited prior art and the application should be in condition for allowance.

Respectfully submitted,



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A handwritten signature in black ink, appearing to read 'Thy O'Rourke', written over a horizontal line.

Thomas A. O'Rourke